

In the Matter of the Board's Inquiry Into Bell Atlantic - New Jersey, Inc.'s
Progress and Compliance with Opportunity New Jersey,
Its Network Modernization Program
Docket No. TX96100707

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**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

In The Matter of the Board's Inquiry)	
into Bell Atlantic-New Jersey's Progress)	Docket No. TX96100707
and Compliance with Opportunity)	
New Jersey)	

STIPULATION

In accordance with the Telecommunications Act of 1992, N.J.S.A. 48:2-21.16 et seq., by Order dated May 6, 1993 ("Order"), the Board approved with modifications an Alternative Plan for Regulation ("Plan") for Bell Atlantic-New Jersey ("BA-NJ" or "Company"). That Plan, among other things, provided for the accelerated deployment of key network technologies known as "Opportunity New Jersey" ("ONJ"). On October 18, 1996, the Board of Public Utilities (hereinafter "Board") issued an Order finding that it was appropriate to review BA-NJ's implementation of ONJ as well as its future ONJ plans.¹

In resolution of that matter, BA-NJ, the Division of Ratepayer Advocate ("Ratepayer Advocate") and the Staff of the Board of Public Utilities ("Board Staff") hereby agree to a further acceleration of ONJ as follows: BA-NJ agrees to implement the proposals set forth in detail hereafter, which the parties reasonably value at an estimated value of benefits to ratepayers of \$176 million. That amount includes: the accelerated deployment estimated at a cost of \$55 million of a statewide Asynchronous Transfer Mode ("ATM") based network over four years for the benefit of all schools and libraries of the State as well as urban areas; \$25 million for

¹ The procedural history is set forth in attachment A hereto

Customer Premises Equipment to connect all schools & libraries to BA-NJ's network; \$50 million in savings to schools and libraries from aggressively discounted services; \$28 million in savings to customers because of foregoing Formula Based rate adjustments under the Plan; and a anticipated annualized benefit to Lifeline customers of \$18 million.

The parties have reached this Stipulation given the completeness of the record and the intention of the parties to this Stipulation to reasonably resolve this proceeding, and having given consideration to the record in the proceeding and the various issues addressed therein, and agreeing as follows:

A. The parties agree that BA-NJ has thus far kept its ONJ commitment with respect to the provisioning of technology platforms and associated capabilities in fulfillment of its obligations set forth in the ONJ Order on pages 73 - 74 .

B. The Board Order adopting the Plan provides for continuing of the monitoring of BA-NJ's ONJ progress and states on page 97:

The Board also reserves the right to seek a further acceleration of the benefits of ONJ if the technology and/or cost of actual deployment become more advantageous than projected.

Accordingly, they have agreed to a further acceleration of ONJ as described above.

A. EDUCATION

BA-NJ will spend an estimated \$80 million in capital and expense to fund accelerated deployment of a high-speed network called Ed-Vantage New Jersey. Ed-Vantage New Jersey will provide statewide interconnectivity (within BA-NJ's operating territory) for high speed data and video transport for elementary and secondary schools² ("schools") and public libraries ("libraries") by 2002. Ed-Vantage New Jersey will include:

1. ATM Based Network:

a) During the four year period that begins in 1998 and ends in 2001, BA-NJ will spend an estimated \$55 million in capital and expense to deploy a statewide (within BA-NJ's operating territory), ATM- based network that provides fast packet services for narrowband, wideband and broadband services capability transmission rates as defined in Opportunity New Jersey³ (from 56 Kbps up to 45 Mbps and higher to meet educators' needs). The timing of these expenditures is dependent on the individual school's needs, although it is intended that the deployment take place over the four year period. Abbott districts³ will be connected by the end of 1999, further accelerating deployment in those municipalities recognized by the New Jersey Department of Education ("DOE") as urban school districts.

² As defined by the Telecommunications Act of 1996, by reference to 20 U.S.C. 8801.

³ Formerly known as Special Needs Districts.

- b) BA-NJ will work with all schools and the DOE to ensure that BA-NJ's network requirements take into consideration each school's specific needs based on a DOE-approved technology deployment plan.
- c) BA-NJ will provide transport via the ATM network (or platform) to every school and library that requests ATM services. Although the deployment of the ATM based network will be constructed and made operational during a four year period as stated above, BA-NJ will provide the requisite resources in order to make reasonable efforts to deploy such services within six months of an individual school's request. If BA-NJ cannot satisfy a request within six months due to excessive demand, BA-NJ will work with DOE and, when necessary, Board Staff in developing an appropriate schedule of delivery.
- d) In order to ensure DOE's goal of interconnectivity of multiple networks, the Ed-Vantage New Jersey ATM based network will comply with ATM Forum International Standards.⁴

2. Tariff Discounts or Restructuring:

- a) The Ed-Vantage New Jersey network will be designed and priced uniquely to allow schools and libraries maximum flexibility in the selection of ATM access service options, rates and discounts that best meet their needs, when available.

See Schedule A attached.

⁴ The ATM Forum International Standards include UNI Release 3.2, IISP and PNNI Release 1 that is expected to be available in 1998.

- b) To assist schools and libraries further in managing telecommunications budgets, BA-NJ will package ATM data services on a flat rate basis that provides an effective means for budgeting expenses.
- c) There will be no installation charges payable for the provisioning of ATM services. The rates listed on Schedule A include installation costs.
- d) BA-NJ will require a minimum of a three-year term commitment for monthly service charges as a condition of installation to schools and libraries.
- e) There will be no penalties associated with term commitments for upgrades on the ATM platform to higher speeds or classes of service. Migration from IDLS to ATM based services is permitted without termination liability penalty when the customer agrees to a minimum three-year term contract and selects a service at comparable or a greater price. A six-month notice is required.
- f) The services listed in Schedule A are available at the proposed rates to schools and libraries only under a customer specific contract. BA-NJ will offer its Ed-Vantage New Jersey customer specific contracts for resale to similarly situated customers, provided however that BA-NJ shall be afforded the opportunity, consistent with BA-NJ's reservations on customer specific pricing generally, to show that its avoided costs with respect to the services offered under such contract(s) differ from its avoided costs generally and to develop specific wholesale discount rates for the provision of service pursuant to such customer specific contracts.

g) The discount calculations associated with the determination of the Universal Service fund for education and library services are to be based upon tariffed business rates as provided for in the federal Telecommunications Act. If a State or Federal Universal Service policy is established that provides discounts to schools and libraries for services listed in Schedule A, schools and libraries will be able to obtain whichever discount is greater. Nothing in this agreement is intended to prohibit BA-NJ from seeking reimbursement from the Universal Service Fund for the discounts to schools & libraries described herein. Any discount agreed upon in this Stipulation shall not preclude the Ratepayer Advocate from arguing that an additional discount above that provided for in Section A (2) herein should be funded out of the Universal Service Fund ^{be} and available to schools & libraries.

3. **Equipment and Net Day:**

a) By year end 2000, for each of the Abbott Districts that does not have an ITV classroom, BA-NJ will provide and install, at no cost to the school, one permanent Interactive Television ("ITV") classroom (estimated at \$50,000 to \$60,000 each) for direct connection to and use in connection with BA-NJ services provided over the ATM-based network or IDLS network. At the expiration of the term of the agreement, the equipment shall remain the property of the school.

b) BA-NJ will provide and install a package of selected Customer Premises Equipment ("CPE") that includes network interface equipment (ATM access device, CSU/DSU and router) and portable ITV classrooms at their associated

installation charges required for use by schools and libraries subscribing to BA-NJ services on the network described in Ed-Vantage New Jersey. At the expiration of the term of the agreement, the equipment shall remain the property of the school.

c) The value of 3(a) and 3(b) above is \$25 million that will be allocated during the five year period from 1998-2002. No more than \$1 million will be allocated to provisioning of ITV classrooms, which includes inside wiring, under paragraph 3(a) above. BA-NJ will fulfill its obligations in 3(a) and 3(b) by purchasing the recommended equipment from its affiliate Bell Atlantic Network Integration, Inc. ("BANI") or any other equipment provider of its choice. BA-NJ shall make available to Board Staff information demonstrating that the prices made available by BANI for such equipment are comparable to the prices at which BANI generally makes such equipment available to others in the market.

d) BA-NJ agrees to be a key corporate sponsor of Net Day-New Jersey for fall of 1997, including funding of a State coordinator through fall 1997. BA-NJ agrees to work with the DOE and the Governor's Office to strengthen the Net Day program. BA-NJ will underwrite the cost of up to 500 wiring kits for schools that do not secure other corporate sponsors by two months prior to the fall 1997 Net Day. Particular emphasis will be placed on Abbott Districts to ensure their full participation in the Net Day option.

e) Beginning in 1998, applicants for ONJ Technology Grants funded by BA-NJ will include libraries. The selection criteria will include input from the appropriate association.

4. **Overseeing Performance:**

a) BA-NJ will assign a manager to work on Ed-Vantage New Jersey. That person will be responsible to take affirmative steps to inform schools and libraries of the services which are available pursuant to this agreement. The BA-NJ manager will interface with the DOE, assist schools in determining their technology requirements, and provide information to DOE regarding data services and rates available from BA-NJ. The DOE shall determine whether and on what schedule schools are eligible to receive the benefits identified in items A1 and A3.

b) BA-NJ will report its progress under the Ed-Vantage New Jersey plan in a separate section in its annual report on ONJ.

5. **Full Motion Interactive Distance Learning Service ("IDLS")
Network Capability:**

IDLS provides full motion, broadcast quality interactive video supported by the current and future, video-only platform.

a) BA-NJ will make reasonable efforts to provision IDLS to every school that requests it within six months of such request. If BA-NJ cannot satisfy a request within six months due to excessive demand, BA-NJ will work with DOE and, when necessary, Board Staff in developing an appropriate schedule of delivery

- b) BA-NJ will provide IDLS subject to then effective IDLS tariff rates, terms and conditions.

B. SPECIAL PROVISIONS:

1. Urban Enterprise Zones ("UEZs"):

- a) The ATM based network will be deployed in a manner that will result in urban areas attaining accelerated access to ATM based services.
- b) BA-NJ agrees to provision any available business service offered by BA-NJ within 90-days of a request by a business in a UEZ. All services will be subject to existing rates, terms and conditions. Schedule A rates apply only to schools and libraries.

2. Rate Stability:

- a) BA-NJ will withdraw its 1996 filed Formula Based rate increase.
- b) The parties agree that the provision of the Plan for Alternative Regulation providing for Formula Based Rate Adjustments, Section II. B, ^{which could have per} will not be ^{rate incre} applicable through year-end 1999.

3. Lifeline Program:

Without prejudice to the position of any of the parties in the Universal Service Phase of I/M/O Notice of Preproposal Notice of Investigation. Local Exchange Competition For Telecommunications Services, Docket No. TX95120631

("Universal Service Proceeding"), BA-NJ will support the establishment of a

Lifeline Service Program and agree to fund same on the conditions and in the manner described in Paragraph 3(a) below. This program is interim until such time that a complete State Universal Service program and a fund is established in the Universal Service Proceeding. This program may also be subject to revisions based upon actions taken by the FCC in CC Docket No. 96-45. BA-NJ agrees to support such an interim fund until the Board makes a decision in the Universal Service Proceeding, which the Board now has scheduled to consider within 1997. BA-NJ agrees not to seek a stay of any portion of a Board Order in the Universal Service Proceeding that establishes³ a targeted subsidy for Lifeline purposes. The parties support such a timely resolution of the Universal Service Proceeding.

a. Lifeline Service Program Description:

BA-NJ supports a targeted implementation date of September 1997 for the establishment of such an interim State Fund to fund eligible means-tested *based on appropriate federal and/or state* low income residents, of which the parties agree there are an estimated *Guid.* number of approximately 225,000. The fund will provide a \$2.85 monthly credit to customers that subscribe to Low Use Measured Residence Service. This credit is in addition to the \$.65 monthly credit provided to all BA-NJ residence and single line business customers. The Lifeline Service will provide a discount on the already tariffed Low Use Measured Residence Service. This service provides the customer with a single line, single party service, touch-tone capability and a local usage allowance of

twenty message units. Additional message units are \$.10 per message unit.

These customers will not be allowed to purchase any additional premium services, for example, Custom Calling or CLASS services, to provide a manageable monthly expense for low income customers, provided however that this limitation is not intended to prohibit recipients of such Low Use Measured Service from purchasing vertical services required for privacy or security reasons. The Lifeline Service Program with the monthly credits will provide low income customers with the ability to have monthly service at monthly rates ranging from \$.90 to \$1.89 per month based upon existing Rate Groups. In determining the value of this Lifeline Service provision of this Stipulation, if one assumes that the Lifeline Services remained in effect for one year, the value of benefits extended to qualifying customers would be \$18 million, assuming that BA-NJ were to provide approximately \$9 million⁵ in State Lifeline Funds during that year and that those qualifying customers could become entitled to receive an additional \$9 million in Federal Lifeline assistance.

4. **Other:**

a) BA-NJ will be considered to have satisfied its digital switching obligations under ONJ if it has converted all of its switches to digital by the end of 1999.

This will not affect the implementation of presubscription.

⁵ \$ 2 million dollars of BA-NJ's contribution will be associated with the \$.65 credit.


b) BA-NJ will hire additional employees such that the expected net gain will be 800 Bell Atlantic full time employees in New Jersey in 1997.


The parties to this Stipulation agree that the record and exhibits in evidence provide ample evidence to support this Stipulation. The parties agree that the Stipulation contained herein represents a fair and reasonable overall disposition of this proceeding that protects and promotes the interest of the telecommunications customers of New Jersey. This Stipulation is without prejudice to the positions of the respective parties with respect to any future proceedings involving BA-NJ, except as specifically set forth herein. The parties hereby request that the Board act to accept and approve this Stipulation in its entirety and issue an appropriate Order recommending and approving those matters proposed herein.

The parties agree that this Agreement contains mutually-balancing and interdependent provisions, and is intended to be accepted and approved in its entirety. In the event any particular aspect of this Agreement is not accepted and approved by the Board, then any party aggrieved thereby shall not be bound to proceed with the Agreement and shall have the right to resume the proceeding at the point it was immediately prior to the execution of this Agreement and shall have the right to litigate all issues to a conclusion.

The undersigned parties hereby agree that this Stipulation has been made exclusively for the purpose of this proceeding and that this Stipulation, in total or by specific item, is in no way binding upon them in any other proceeding except to enforce the terms of this Agreement.

WHEREFORE, the parties hereto do respectfully submit this Stipulation to the Board, and request that the Board approve this Stipulation and that the stipulations contained herein be accepted by the Board to become effective on the date of the Board approval.


Blossom A. Peretz, Esq.
On behalf of Division of Ratepayer Advocate


Michael A. Ambrosio
On behalf of Staff of Board of the
Public Utilities


Anne S. Babineau, Esq.
On behalf of Bell Atlantic - New Jersey

Schedule A

<u>Service</u>	<u>BW</u>	<u>Tariff Rate</u>	<u>Proposed Education Rate</u>	<u>Percent Discount</u>
ISDN up to 300 hrs (over 300 hrs standard usage rates apply)	128 kbps	\$360	\$100	72%
Frame Relay	56 kbps	\$175	\$100	43%
	1.5 mbps	\$435	\$300	31%
	4 mbps	\$2,300	\$1,325	42%
	6 mbps	\$2,600	\$1,425	45%
	22 mbps	\$3,000	\$1,625	46%
	45 mbps	\$3,800	\$1,825	52%
SMDS	56 kbps	\$225	\$100	56%
	1.5 mbps	\$570	\$350	39%
	4 mbps	\$2,000	\$1,350	33%
	10 mbps	\$2,500	\$1,450	42%
	16 mbps	\$3,000	\$1,650	45%
	25 mbps	\$3,500	\$1,850	47%
	34 mbps	\$4,000	\$1,900	53%
ATM	1.5 mbps	\$600	\$400	33%
	10 mbps	\$3,700	\$1,800	51%
	45 mbps	\$4,450	\$2,500	44%
	OC3c-DF	\$6,500	\$3,000	54%
	OC3c-SON	\$9,200	\$4,000	57%

Attachment A

Procedural History

The Board conducted legislative-type hearings be conducted for the purpose of taking expert testimony from BA-NJ on the matter. BA-NJ was directed to publish notice of the hearing. Ratepayer Advocate was a party to the proceeding. Pursuant to the Board's Order, testimony was filed and BA-NJ responded to more than 400 discovery requests propounded by the Ratepayer Advocate and the Board Staff, which response included voluminous pages of documents made available for inspection by the Ratepayer Advocate and the Board Staff. At the hearings, which were held on February 6, February 11 and February 18, in response to the Board request that BA-NJ present witnesses sufficient to respond to questions listed in the Board's Order, BA-NJ presented its President, Len J. Lauer, who was examined over the course of a day and a half by Ratepayer Advocate, Board Staff and the President and Commissioner of the Board. BA-NJ also presented Dr. Francis J. Cronin of Hagler-Bailly Consulting and Ronald Hubert of DeLoitte & Touche Consulting Group who also were examined by Ratepayer Advocate, the Board Staff and the members of the Board. In total, 61 exhibits were introduced into evidence and more than 690 pages of transcript and testimony were presented to the Board.

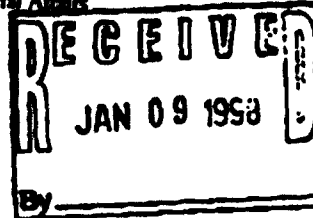
ATTACHMENT 2

can call 1-800-621-9900
or Direct Dial 973-649-2661

Bell Atlantic - New Jersey, Inc.
540 Broad Street
20th Floor
Newark, NJ 07101

Peter J. Venticiglia, Ph.D.
Vice President
External Affairs

January 7, 1998



Dear Chief School Administrator:

On October 27, 1997, Commissioner Klagholz issued a memo to you updating the recent statewide programs that have accelerated the availability of educational technology in New Jersey's schools.

In that memo, the Commissioner announced Access New Jersey, Bell Atlantic's commitment to deliver advanced telecommunications services to every school and public library within our serving territory in New Jersey.

The enclosed brochure provides details on the program and highlights the benefits that this program can bring to your school district. I urge you to read this brochure and contact the Access New Jersey information line for more details (800-727-0714). You also can obtain information on Access New Jersey at our Web Site: www.bellatlantic.com/ba-nj.

Attached to this letter is a list of services that will be discounted as part of the Access New Jersey plan. Review this list to determine: a) if you are a subscriber for any of these services at present and b) if these discounts are greater than those that you would receive from the Federal Universal Service fund for these services. At present, schools and libraries in New Jersey are eligible to receive either the Access New Jersey discount or the Federal Universal Service Fund discount on the four services: ISDN, ATM, Frame Relay and SMDS.

If you choose to take advantage of the Access New Jersey discounts on any of the four services, you can still participate in the Universal Service Fund for telecommunications services other than the Access New Jersey services.

If you determine that Access New Jersey provides greater discounts and you wish to subscribe to the plan, complete the attached Access New Jersey Application Form and fax it to 908-769-5836. A Bell Atlantic representative will contact you and work with you to implement Access New Jersey in your school district.



To take full advantage of Access New Jersey, you will need to sign a minimum three year contract that our representative will forward to you once your application has been reviewed. For those of you who already are subscribers to these services and who sign new, three-year contracts, the discounts will be retroactive to September 1, 1997.

If, after reviewing all the information provided here, you choose not to participate in Access New Jersey at this time, please sign where indicated on the form and return it to us for our records.

We at Bell Atlantic are excited at the prospect of ensuring that New Jersey's schools and libraries will have access to the most advanced telecommunications network. We look forward to working with you to make our commitment a reality for the schools in your district.

Sincerely,



Enclosures: Access New Jersey Brochure
Access New Jersey List of Discounted Rates
Access New Jersey Application Form

ACCESS NEW JERSEY APPLICATION FORM

Please complete this form if you wish to take advantage of Bell Atlantic's Access New Jersey program. Please remember that schools can take advantage of either the Access New Jersey fund or the Federal Universal Service fund for the four services covered by Access New Jersey. These four services are listed below in Part II.

PART I - GENERAL INFORMATION

School District: _____

Address: _____

Contact: _____

Phone number: _____

Title: _____

I am authorized to order/purchase telecommunications services on behalf of my school district:
(Signature Required) _____

Number of Schools in District: _____

PART II - TELECOMMUNICATIONS SERVICE INFORMATION

Please identify the following Bell Atlantic services to which your school district subscribes and provide the billed telephone number. This will enable your district to obtain Access New Jersey discounts on existing services.

<u>Service</u>	<u>Number of Lines</u>	<u>Billed Telephone Number</u>
ISDN		

FRAME RELAY

SMDS

ATM

You will be contacted about your eligibility for discounts on these services.

PART III - FUTURE PLANS (To assist us in designing the proper network for your district, please answer the following:)

- ___ Our district needs to install/upgrade a Local Area Network Infrastructure (wiring, hubs, routers, etc.)
- ___ Our district needs to install/upgrade network services to connect the schools within the district
- ___ Our district needs to gain access to or upgrade our Internet connection
- ___ Our district is interested in incorporating video based distance learning applications into our curriculum

ATTACHMENT 3

ORIGINAL

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)

Federal-State Joint Board on)
Universal Service)

CC Docket No. 96-45

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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**OPPOSITION OF BELL ATLANTIC
TO PETITIONS FOR RECONSIDERATION**

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August 18, 1997

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Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of)	
)	
Federal-State Joint Board on)	CC Docket No. 96-45
Universal Service)	

To: The Commission

OPPOSITION OF BELL ATLANTIC¹ TO PETITIONS FOR RECONSIDERATION

I. Introduction and Summary

In its Universal Service order,² The Commission properly found that the interstate high-cost fund should support only the interstate portion (i.e., 25%) of local service costs. Under the Commission's formula, the overall interstate support amount will actually increase above current levels, but the entire non-rural interstate fund would go to reducing interstate access charges rather than intrastate charges. In order to reduce pressure for local rate increases caused by this change, the Commission should first use the interstate high-cost fund to retain each state's existing level of high-cost support, indexed for inflation, and apply the remainder to reduce interstate access charges.

¹ The Bell Atlantic telephone companies ("Bell Atlantic") are Bell Atlantic-Delaware, Inc.; Bell Atlantic-Maryland, Inc.; Bell Atlantic-New Jersey, Inc.; Bell Atlantic-Pennsylvania, Inc.; Bell Atlantic-Virginia, Inc.; Bell Atlantic-Washington, D.C., Inc.; Bell Atlantic-West Virginia, Inc.; New York Telephone Company; and New England Telephone and Telegraph Company.

² *Report and Order*, FCC 97-157 at ¶ 269 (rel. May 8, 1997) ("Order").

Similarly, the Commission should reject calls for a single consolidated interstate/intrastate fund. Section 254 of the Act specifies separate funds and gives states the right to supplement the interstate support, as needed, through contributions from intrastate service providers.

The Commission should deny requests to reconsider its decision to retain only the pre-sale amount of high-cost support for exchanges that are sold. Allowing assistance to increase would have the perverse effect of encouraging the sale of high-cost exchanges, at a premium, in order to reduce the seller's average per-line cost, while forcing other carriers' ratepayers to pay the increased subsidies that the new owners would receive.

The indexed cap on universal service funding during the transition to the revised system should also be retained. There has been no showing that retention of the cap has caused or would create a hardship for any customer.

A variety of telecommunications service providers ask to be exempted from contributing to the fund. The Commission should deny such special-interest exemptions, and, instead continue to require all competing entities to contribute their fair share to support universal service.

Finally, the Commission has the right to impose end-user surcharges to fund universal service. However, contrary to claims of several parties, it is not obligated by the Act to do so.

Several reconsideration requests should be granted. First, the recent *Iowa Utilities Board* decision deprives the Commission of authority to attempt to influence the states' decision on whether to use the same proxy cost methodology for pricing unbundled network